

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 TRSE-00 SWF-02 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-03 INR-11 NSAE-00 RSC-01

CIEP-02 SP-03 STR-08 LAB-06 SIL-01 SAM-01 OMB-01 L-03

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 3862

INFO USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS

C O N F I D E N T I A L BONN 11314

DEPARTMENT PASS TREASURY

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: EC COUNCIL OF FINANCE MINISTERS MEETING JULY
15

REF: EC BRUSSELS 5302

1. OUR CONTACTS CONFIRM REPORT IN EC BRUSSELS 5302
ON EC FINANCE MINISTERS MEETING OF JULY 15. CONCERNING
THE MERITS OF THE VARIOUS PROPOSALS DISCUSSED AT THE
MEETING, ECONOMICS AND FINANCE MINISTRY OFFICIALS HAVE
MADE THE FOLLOWING POINTS TO THE FINANCIAL ATTACHE.

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2. GERMANS ARE SKEPTICAL REGARDING AN EC BOND ISSUE

INTER ALIA FOR FOLLOWING REASONS: (A) UNCLEAR WHETHER ISSUE OF CONTEMPLATED MAGNITUDE IN FACT COULD BE FLOATED ON EURO-MARKETS. GERMANS ALSO SUGGESTED EXPLORING POSSIBILITY OF PLACING ISSUE DIRECTLY WITH ARABS. (B) UNCLEAR IF EACH EC COUNTRY SHOULD IN FACT GUARANTY WHOLE ISSUE OR ONLY A TRANCHE. (C) FEAR THAT PROCEEDS WHEN MADE AVAILABLE TO ITALY, UK, ETC., THROUGH EC INSTITUTIONS WOULD NOT HAVE SUFFICIENT STRINGS TIED TO THEM TO INSURE EFFECTIVE STABILIZATION POLICIES. (D) FEELING ADDITIONAL FINANCING NOT NEEDED NOW AND PROVIDING IT ON CONTINGENCY BASIS NOW WOULD TAKE TOO MUCH PRESSURE OFF THE ARABS FOR SENSIBLE POLICIES (FINANCING AND PRICING) ON THEIR PART.

3. GERMANS BELIEVE AN ANNOUNCED RELAXATION OF THEIR RESTRICTIVE POLICIES NOW OR IN THE FALL WILL HAVE MANY UNDESIRABLE SIDE EFFECTS ON WAGE NEGOTIATIONS AND PRICE CLIMATE. IF AND WHEN SUCH A RELAXATION SHOULD COME THEY WOULD PREFER IT TO BE AS SILENTLY AS POSSIBLE. BUT IN ANY CASE IN THEIR VIEW THE TIME IS NOT YET AT HAND FOR SUCH A RELAXATION.

4. WHILE SUBSCRIBING TO A FOUR PERCENT REAL GNP GROWTH "TARGET" FOR 1975, GERMAN ECONOMIC OFFICIALS PRESENTLY BELIEVE THREE AND ONE-HALF PERCENT REAL GROWTH IS MORE LIKELY FOR THE FRG.

5. WHILE NOT OBJECTING TO FURTHER STUDY, GERMANS REMAIN EXTREMELY SKEPTICAL REGARDING ANY FLEXIBLE LINKING OF SNAKE AND OTHER EC CURRENCIES (I.E., THE SNAKE WITH THE FLEXIBLE SKIN).
HILLENBRAND

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